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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

GSA's Federal Buildings Fund Fails To Meet Primary Objectives

COMPLETED

SUMMARY

The Federal Buildings Fund was established in 1972 to finance the General Services Administration's acquisition and operations of Government owned and leased buildings.

To date, the Fund has not accomplished the two primary objectives used as a basis for its establishment. It has not generated sufficient revenues for construction because it has experienced a cash flow problem since its inception. Concerning the second objective, there is no evidence of appreciable improvement in space usage because tenant agencies have to budget and pay for the space they occupy.

GAO is recommending changes to improve Fund operations and to facilitate accomplishment of the Fund's objectives.

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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

GSA'S FEDERAL BUILDINGS FUND FAILS TO MEET PRIMARY OBJECTIVES

D I G E S T

The Federal Buildings Fund was established in 1972 by Public Law 92-313 to finance the General Services Administration's (GSA's) acquisition and operations of Government owned and leased buildings. The Fund started operating in fiscal year 1975. Federal agencies occupying space in GSA-controlled buildings pay standard level user charges (rents) based on comparable commercial rates, which are deposited in the Fund and then made available in annual appropriation acts to GSA for construction, leasing, real property operations, and other activities.

For fiscal year 1981, the Fund will collect about $1.629 billion in rent and $5 million in other income, a combined income of $1.634 billion. (This excludes estimated income for reimbursable work of $300 million.) New obligational authority is estimated at $1.647 billion to be applied to construction, leasing, and other real property activities. (See pp. 2 and 3.)

Because of congressional and agency concerns about Fund operations, GAO made this review to determine the success of the Fund in meeting its primary objectives of (1) providing sufficient funding for construction and (2) making executive agencies more space conscious. (See p. 5.)

To date the Federal Buildings Fund has not accomplished these two primary objectives. It has not generated sufficient revenues for construction, and there is no evidence indicating that anticipated improvements in space utilization have occurred since agencies have to pay for the space they occupy.

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LIMITED CONSTRUCTION FUNDING

From fiscal years 1975 through 1980, a total of $442 million was appropriated (including supplemental appropriations) from the Fund for construction, or an average of only $73.6 million a year. This is less than (1) the $200 to $225 million a year that GSA anticipated would be available from the Fund for construction and (2) the $115 million a year that was made available for construction through direct appropriations before the Fund was established. When it recommended establishment of the Fund, GSA believed that it needed funding considerably more than $115 million a year it was getting for construction.

There are a number of reasons the Fund has not generated sufficient revenue--cash flow--that would support a viable construction program.

--Rents collected from tenant agencies in 68 buildings, whose construction was financed through GSA borrowings (purchase contracting), are not sufficient to pay principal, interest, taxes, and operating costs on the buildings. (See p. 7.)

--The Fund expenditure for leased space has increased dramatically from $364 million in fiscal year 1975 to an estimated $722 million in fiscal year 1982. Leased buildings generally generate a minimal cash surplus for the Fund. (See p. 8.)

--Older Government-owned buildings in GSA's inventory require extensive alterations and major repairs which, along with operating costs, exceed rent income for some of these buildings. (See p. 10.)

--Administrative and legislative actions reduced Fund income by an estimated $600 million for 3 years--from fiscal years 1975 through 1977. (See p. 10.)

--The cash flow of the Fund has been affected during this period of high inflation because GSA's rental charges to agencies are fixed for 3 years. This is a self-imposed restriction on the Fund, which GSA plans to remove in fiscal year 1983. (See p. 11.)

--GSA has in its inventory a sizable amount of vacant space that does not generate revenue for the Fund. Over $11 million a year is charged to the Fund to maintain the vacant space. (See p. 11.)

In summary, the Fund has not generated sufficient revenues for construction because it has experienced a cash flow problem since its inception. The Fund was created without receiving any up-front funds and then expected to reverse the effect of prior budgetary decisions to lease rather than construct needed space. Expectations were too high. Given enough time, the Fund may overcome the cash flow problems. Supplemental funding or borrowings are needed if the process is accelerated. The outlook for the Fund providing increased revenues for construction has improved somewhat because of the refinements in the method used to compute rental rates. (See p. 13.)

The Federal Buildings Fund resources could be augmented when needed with borrowings from the Department of the Treasury or with direct appropriations. GAO did recommend in a 1979 report that, if the Congress wants to provide GSA with a financing alternative to direct Federal construction and leasing, it should limit the agency's financing authority to direct loans from the Treasury or the Federal Financing Bank. The thrust of this recommendation was included in bills introduced in the 96th and the 97th Congresses that would authorize GSA to borrow funds from the Treasury to finance public building construction; but to date, legislation has not been enacted.

Whatever approach is followed, it will be difficult, because of budgetary constraints, to reverse the trend toward increased leasing and provide for a viable construction program. Leasing has a short-term budgetary advantage because the impact is spread over several years, whereas the impact for construction is immediate and up front. (See p. 13.)

ANTICIPATED IMPROVEMENTS IN SPACE USAGE NOT ACHIEVED

In sponsoring Public Law 92-313, which created the Fund, GSA anticipated that agencies would be more economical and efficient in the use of their space in Government buildings.

There is no evidence indicating that there has been any appreciable improvement in space usage by tenant agencies or that the cost savings have occurred because agencies have to budget and pay for the space they occupy. The imposition of user charges upon Federal agencies has not brought about the substantial space reductions and cost savings that were anticipated when the Fund was established. (See pp. 15 and 16.)

SPACE REVIEWS NOT PERFORMED

GAO also noted that GSA is not performing periodic space utilization surveys or inspections as required by the Federal Property Management Regulations. In the absence of regular space inspections and surveys, GSA is not effective in promoting maximum utilization of assigned space. According to GSA, it does not have the personnel needed to make such reviews. (See p. 17.)

INFORMATION ON SPACE USAGE NOT DISCLOSED IN AGENCIES' BUDGET SUBMISSIONS TO THE CONGRESS

Agencies' annual budget requests, sent to the Congress, do not contain sufficient information to enable congressional committees to determine the trend and the effectiveness of space usage. The requests do not include information on the number of square feet assigned or space usage trends. If the amount of rent agencies owe GSA increases, agencies tend to attribute it to an increase in GSA's rental rates, when the increase may be due to additional space usage or a combination of increased usage and rental rates.

GAO believes that there should be complete disclosure on space usage and costs in agencies' budget requests sent to the Congress. (See pp. 17 and 18.)

AUTOMATED SYSTEM PROBLEMS

The two automated systems used by GSA to manage public building operations do not provide management with complete or reliable information. Deficiencies and problems with the systems have been brought to GSA's attention in a 1978 GAO report and in two GSA reports issued in 1980 and 1981. GSA has efforts underway to correct system deficiencies. (See pp. 20 to 23.)

RECOMMENDATIONS TO THE ADMINISTRATOR OF GENERAL SERVICES

The Administrator should:

--Require, pursuant to Federal Management Regulations, that periodic space utilization inspections and surveys be conducted to assure efficient and effective use of space. (See p. 19.)

--Place increased emphasis on correcting the deficiencies in the two automated systems which are used to manage public building operations. (See p. 23.)

RECOMMENDATIONS TO THE CONGRESS

If the Congress wants the Federal Buildings Fund to provide adequate financing for construction and reverse the trend toward leasing, it should either (1) grant GSA authority to borrow from the Treasury or (2) make direct appropriations available to the Fund to augment its resources. (See p. 14.)

The House and Senate Committees on Appropriations should require agencies to disclose in their budget requests to the Congress information on space usage and costs. (See p. 19.)

AGENCY COMMENTS

GSA generally concurred with GAO's recommendations. GSA advised GAO that it is very concerned about the Federal Buildings Fund and has testified about these concerns. (See p. 14 and app. III.)

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ABBREVIATIONS

FPMR	Federal Property Management Regulations
GAO	General Accounting Office
GSA	General Services Administration
OMB	Office of Management and Budget